

Latin America, Caribbean Region World's Largest Recipient of Remittances (World Bank says \$25 billion in remittances sent to region in 2002)

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Washington -- A new study reports that the Latin American/Caribbean region is the world's largest recipient of remittances -- money transferred by foreign workers back to their home country.

The study by the World Bank found that foreign workers sent \$25 billion to Latin America and the Caribbean in 2002, followed by \$16 billion sent to South Asia. In a breakdown by countries, Mexico was the world's second largest recipient of remittances after India. The Dominican Republic, El Salvador, Colombia, Brazil, and Ecuador were among the world's top-20 recipients of remittances.

The Bank said in its report, "Global Development Finance 2003," that foreign direct investment and remittances are now more important sources of finance for the Americas than private lending. Guillermo Perry, the Bank's chief economist for the region, said in an April 2 statement that "foreign direct investment and remittances are key for Latin America and the Caribbean as it remains more sensitive than other regions to external shocks due to vulnerabilities to capital flows reversals."

Another study by the Inter-American Development Bank (IDB) reports that 78 percent of the remittances to Latin America and the Caribbean comes from the United States. The IDB said Mexico received \$10.5 billion in remittances in 2002, followed by \$5.5 billion to Central American nations, \$5.45 billion to the Caribbean, and \$5.4 billion to the Andean region.

One hardship for immigrants in sending remittances is an add-on service fee. U.S. Treasurer Rosario Marin has pointed out that those "who work the hardest and earn the least pay the most in service fees." As an example of the high costs, an average transaction fee consumes about 20 percent of each remittance. This means that an immigrant sending home \$250 can pay up to \$50 in fees and exchange-rate conversion costs.

To make the price more reasonable, an important objective of the U.S.-Mexican Partnership for Prosperity is lowering the cost for workers to send money to their relatives in Mexico.

The Mexican-born Marin said that since the launching of the bi-national Partnership in 2001, a number of financial institutions, banks and credit unions have developed increasingly competitive remittance services, a trend that the U.S. and Mexican governments continue to encourage.

On the same subject, the U.S. Treasury Department issued a statement April 2 applauding the Bank of America's announcement that it had reduced its remittance fees for non-customers to send money to Mexico. Wayne Anderson, Treasury's assistant secretary for financial institutions, said "mainstream financial institutions are playing an increasing role in making money transfers in a safer way and at lower costs."

Anderson said he was pleased that banks are reaching out to non-customers, with steps that can lead to a growing banking relationship for consumers in both the United States and Mexico.

Meanwhile, the World Bank also said in its new report that economic growth in Latin America and the Caribbean is expected to accelerate in 2003, led by the recovery of Argentina. The region's gross domestic product is predicted to grow 1.7 percent in 2003 and 3.8 percent in 2004, following a 0.9 percent contraction in 2002.

The Bank said the favorable economic outlook is based on the assumption of a quick resolution to the war in Iraq and a significant decline in oil prices as 2003 progresses.

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